

Message Text

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INFO OCT-01 EA-11 ISO-00 NSC-10 NSCE-00 SS-15 SSO-00

CAB-09 CIAE-00 COME-00 DODE-00 INR-10 NSAE-00 RSC-01

FAA-00 INRE-00 L-03 H-03 PM-07 DRC-01 PA-03 PRS-01

USIE-00 /086 W

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O R 200849Z SEP 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC IMMEDIATE 8111

INFO AMEMBASSY TAIPEI

AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 1 OF 2 MANILA 10740

E O 11652: GDS

TAGS: ETRN, RP

SUBJ: CIVAIR: PHILIPPINE HOMECOMING FARES

REF: A) STATE 184297; B) STATE 181224

BEGIN SUMMARY: WE ARE CONCERNED ABOUT ADVERSE REACTION OF GOP LEADERS TO NEGATIVE CAB DECISION ON HOMECOMING FARES AND IMPLICATIONS OF GOP ATTITUDE FOR FUTURE US-RP CIVAIR RELATIONS. BASIS OF DECISION IS BEING QUESTIONED IN LIGHT OF OTHER SPECIAL-PURPOSE FARES SUPPORTED BY USG INCLUDING US MILITARY AND DEPENDENTS FARE. PAL HAS BEEN INHIBITED BY GOP ORDER FROM PROPOSING HIGHER FARES, AND GOP IS REPORTED MAKING ARRANGEMENTS TO GUARANTEE REIMBURSEMENT OF DIFFERENCE BETWEEN \$425 AND THE FARE HOMECOMING FILIPINOS ACTUALLY HAVE TO PAY. ACTION REQUESTED: WE WISH TO SEE CONSTRUCTIVE MOVES BY US CAB AND US CARRIERS TO WORK OUT REASONABLE HOMECOMING FARE SOMEWHERE BETWEEN \$475 AND \$490 AS NORTHWEST AND CAB HAVE ALREADY SUGGESTED TO BE APPROPRIATE LEVEL, IF POSSIBLE WITH INCREASE IN FREQUENCIES OF US CARRIERS AT MANILA AS PART OF ARRANGEMENT. WE BELIEVE THIS FARE
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COULD BE UNIVERSALLY APPLIED TO GROUPS OF 10, AND IF

DESIRED, GOP COULD PROVIDE OTHER INDUCEMENTS LIMITED TO FILIPINOS. END SUMMARY.

1. CAB DECISION CONCERNING PHILIPPINE HOMECOMING FARES APPEARS TO US TO UNDERESTIMATE IMPORTANCE OF THIS MATTER TO PHILIPPINE LEADERSHIP, TO THE OVERALL STATE OF OUR RELATIONS WITH THE COUNTRY AND TO THE FUTURE OPERATING CONDITIONS OF OUR CARRIERS TO AND THROUGH THE PHILIPPINES. RELATED CLOSELY IS THE FACT THAT, WHILE THE DECISION OF THE CAB IS STRICTLY IN ACCORDANCE WITH ESTABLISHED PRACTICES, WE SEEM TO BE LAUNCHED ON A PATH OF ENTRENCHING THE IMPASSE WE HAVE WITH THE PHILIPPINES ON CIVIL AVIATION, RATHER THAN FINDING SOME PROBLEM-SOLVING WAY TO IMPROVE THIS INCREASINGLY DIFFICULT SITUATION.

2. WE HAVE NO PARTICULAR INTEREST IN DEFENDING OR SUPPORTING PAL IN THIS MATTER, BUT WE THINK A COMBINATION OF FACTORS STRONGLY COUNSELS AGAINST A MOVE TO TREAT HOMECOMING AS PART OF THE LARGER IMPASSE. THE PRESIDENT CLEARLY WAS DISTRESSED BY THE IMPOSITION OF PART 213 AND PERSONALLY INSULTED BY THE CLOSE TIMING OF THAT ACTION TO SEAWELL'S VISIT. HE AND, IT APPEARS, AMB ROMUALDEZ TAKE THE US CAB ACTION ON HOMECOMING AS A PERSONAL AFFRONT. PAL, WITH A HISTORY OF POOR RELATIONS WITH THE PRESIDENT, NO DOUBT WAS STIFF-ARMED INTO ESPOUSING THE SPECIFIC HOMECOMING FARE AND MAY BE A BIT DOG IN THE MANGER IN ITS HANDLING OF THE APPLICATION. THE FACT REMAINS THAT THIS IS BECOMING AN INCREASINGLY SENSITIVE POINT WITH MALACANANG AND PAL, PER SE, IS RELATIVELY MINOR ISSUE.

3. ACCORDING AIRLINE SOURCES AMBASSADOR ROMUALDEZ CALLED PRESIDENT MARCOS EVENING SEPT 18 IN GREAT AGITATION TO REPORT THE CAB DECISION. HE REPORTEDLY TOLD SECRETARY OF TOURISM AND PHIL CAB CHAIRMAN ASPIRAS THAT HE DID NOT BELIEVE ANY FURTHER FARE PROPOSAL BY PAL SHOULD BE MADE TO THE US CAB. THE PRESIDENT IN TURN REPORTEDLY HAS GIVEN INSTRUCTIONS TO PHILIPPINE DIPLOMATIC AND CONSULAR OFFICERS IN THE UNITED STATES

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THAT THEY ARE TO ASSIST THE HOMECOMING OPERATION BY OFFERING REFUNDS OF THE SPREAD BETWEEN \$425 ROUNDTRIP HOMECOMING FARE AND WHATEVER IS THE NEAREST DISCOUNT FARE FROM THAT AREA OF THE UNITED STATES. PRESIDENTIAL LETTER OF INSTRUCTION REPORTED TO BE ALREADY DRAFTED WHICH WILL REGULARIZE PROCEDURES FOR REIMBURSEMENT USING SO-CALLED "HOMECOMING CERTIFICATE" AS GOP OBLIGATION TO PAY. PROBABILITY THAT GOP WILL USE WHATEVER MEASURES IT CAN

TO MAKE GOOD ON PROMISED HOMECOMING FARE IS REINFORCED BY REPORTS FROM A NUMBER OF SOURCES THAT THE PRESIDENT IS FULLY COMMITTED TO OPERATION HOMECOMING. THUS, IN FILING \$425 HOMECOMING FARE, PAL HAS BEEN ACTING UNDER PRESIDENT'S ORDER AND ACCORDINGLY APPEARS TO HAVE BEEN INHIBITED FROM DISCUSSING PROBLEM WITH US BOARD STAFF WITH VIEW TO MODIFYING ITS PROPOSAL AS REF A PARA 4 SUGGESTS THEY SHOULD.

4. REF A WAS FIRST INDICATION WE HAVE HAD OF SIGNIFICANT FACT THAT JAL AND CAL HAD CONCURRED IN FILING HOMECOMING FARE. THIS OBVIOUSLY WILL PUT ONUS MORE SQUARELY ON US CARRIERS FOR OBSTRUCTING HOMECOMING PROGRAM. THUS US CARRIERS LIKELY SUFFER FURTHER SETBACKS IN RELATIONS WITH GOP AND IN OPERATING PROSPECTS HERE.

5. WE TAKE REF A PARA 3 TO INDICATE US CAB DECISION WAS BASED PRIMARILY ON DISCRIMINATORY ASPECTS OF HOMECOMING FARE ALTHOUGH REF B INDICATED CAB ALSO CONSIDERED \$425 LEVEL UNECONOMICALLY LOW. GOP AND PAL OFFICIALS HAVE REMARKED POINTEDLY TO EMBOFFS AND US CARRIER REPS THAT SPECIAL FARE FOR US MILITARY PERSONNEL AND DEPENDENTS IS EVEN MORE DISCRIMINATORY IN CHARACTER AND IS CONSIDERABLY LOWER THAN \$425. WHEN SPECIAL PURPOSE OF MILITARY FARE WAS CITED IN REBUTTAL, OFFICIALS POINTED TO SPECIAL PURPOSE OF COMPARABLE IMPORTANCE TO GOP AND PHILIPPINES IN ENCOURAGING VISITS BY OVERSEAS FILIPINOS AT THIS TIME.

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C O N F I D E N T I A L SECTION 2 OF 2 MANILA 10740

THUS IN THEIR VIEW HOMECOMING FARE IS INTENDED TO SERVE DISTINCT SPECIAL PURPOSE AND NOT TO DISCRIMINATE AGAINST NON-FILIPINOS. IN VIEW OF THIS COMPARISON IT APPEARS THAT STRONGER ARGUMENTS NEEDED TO SHOW WHY PROPOSAL AS MADE BY PAL IS NOT ACCEPTABLE.

6. ACCORDING TO PANAM REP MACKENZIE, ASPIRAS ON SEPT 19 (AFTER US CAB ACTION KNOWN HERE) SUGGESTED THAT PANAM CONSIDER ADDING ONE FREQUENCY (FOR TOTAL OF THREE PER WEEK) TO MANILA TO SERVE ADDITIONAL HOMECOMING TRAFFIC. PROPOSAL REFERRED TO PANAM HQ FOR CONSIDERATION WITH FURTHER SUGGESTION THAT CHARTER FARE RATES AS CLOSE TO PROPOSED HOMECOMING RATES AS POSSIBLE UNDER ESTABLISHED CAB AUTHORIZATIONS BE APPLIED TO GROUPS WISHING VISIT PHILIPPINES. THIS WOULD BE PROMOTED AS PARTICIPATION IN HOMECOMING PROGRAM.

7. ON BROADER POLICY LEVEL, WE WISH POINT OUT THAT WHAT MAY BE AT STAKE IN THIS SEEMING NEAR-TERM ATTACK ON THE FARE STRUCTURE OF ROUTES TO THE PHILIPPINES IS MORE THAN A PASSING EVENT (LOCAL PAPERS REPORT STATESIDE FILIPINOS HAVE ASKED SPECIAL FARE TO BECOME AN ANNUAL CONFIDENTIAL

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OFFERING). RATHER IT IS REFLECTIVE OF PRESSURES ON THESE FARES GENERATED OVER SEVERAL YEARS BY THE RISING CAPACITIES AND THE IMPROVING EFFICIENCIES OF, AMONG OTHERS, JAL. IT SEEMS UNLIKELY THAT THE FARE STRUCTURE ON THESE ROUTES CAN BE MADE TO RECOVER FROM THE ASSAULT REPRESENTED BY HOMECOMING, WHATEVER WE DO, AND IT WOULD SEEM IN OUR OVERALL BEST INTEREST TO PURSUE A COURSE THAT GETS OUR CARRIERS WHATEVER FUTURE BENEFIT THEY CAN DERIVE FROM BEING COOPERATIVE AND HELPFUL.

8. COMMENT: WE HOPE FOREGOING POINTS WILL BE CONSIDERED BEFORE FINAL ACTION IS TAKEN ON US CAB RECOMMENDATION. WE ALSO STRONGLY URGE CONSTRUCTIVE APPROACH BY US CAB AND US CARRIERS TO WORK OUT SOLUTION BOTH SIDES CAN ACCEPT. WE BELIEVE INGREDIENTS OF SOLUTION ARE PRESENT IN A FARE LEVEL IN THE RANGE OF \$475 INFORMALLY PROPOSED BY NORTHWEST TO GOP (MANILA 9748 PARA 3) AND \$490 SUGGESTED BY US CAB (REF B). PANAM HAS ALSO SPOKEN OF FARE AROUND \$500. SINCE PAL IS APPARENTLY INHIBITED FROM FILING HIGHER FARE, US CARRIERS SHOULD TAKE INITIATIVE TO RECOMMEND A REASONABLE FARE STRUCTURE AND AN

ACCEPTABLE BASIS ON WHICH IT COULD BE OFFERED.

9. WITH SOMETHING LIKE THE PROPOSED FARE STRUCTURE AND THE SUPPORT OF US CARRIERS, WE THINK HOMECOMING CAN BE TURNED TO OUR ADVANTAGE BY PROVIDING (A) THE PSYCHOLOGICAL BMOOT OF SUPPORTING THE NOT UNREASONABLE HOMECOMING GOALS; (B) AGREEMENT TO A LIMITED TIME AND PURPOSE FOR THE FARE WHICH GIVES OUR CARRIERS A DIRECT VOICE IN FUTURE PROPOSALS; (C) THE MEANS TO THWART FURTHER ENHANCEMENT OF THE POSITIONS OF THIRD COUNTRY CARRIERS HERE AT THE EXPENSE OF OURS. COOPERATION ON A REASONABLE SOLUTION TO THE HOMECOMING PROBLEM, ON WHICH US CARRIERS CAN ALSO MAKE A PROFIT, SEEMS A SMALL PRICE FOR SUCH RESULTS, AND WE BELIEVE THAT CAPACITY INCREASES WHICH OUR CARRIERS SEEK HAVE A BETTER CHANCE IF WE COOPERATE THAN IF WE CONTINUE ON THE PRESENT COURSE.
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